

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD OF ADMINISTRATION HEALTH BENEFITS COMMITTEE

MINUTES OF MEETING

March 14, 2006

The Health Benefits Committee met on Tuesday, March 14, 2006, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, CA.

The meeting was called to order at 9:30 a.m. with the following members present:

George Diehr, Chair
Priya Mathur, Vice Chair
James Zerio representing Philip Angelides
Marjorie Berte
Rob Feckner
Debbie Endsley representing Michael Navarro
Tony Oliveira
Charles Valdes
Nick Smith representing Steve Westly

Other Board members present:

Robert Carlson Michael Quevedo Kurato Shimada

AGENDA ITEM 2 – ANNOUNCEMENT OF CLOSED SESSION TO DISCUSS 2007 HEALTH PLAN CONTRACT NEGOTIATIONS AND 2006-2007 LONG-TERM CARE RATES AND COMPETITIVE STRATEGY

The Chair announced that the previously scheduled closed session had been cancelled.

AGENDA ITEM 4 – ELECTIONS OF HEALTH BENEFITS COMMITTEE CHAIR AND VICE CHAIR

On **MOTION** by Rob Feckner, **SECONDED** and **CARRIED**, George Diehr was re-elected as Chair of the Health Benefits Committee.

On **MOTION** by Rob Feckner, **SECONDED** and **CARRIED**, Priya Mathur was re-elected Vice Chair of the Health Benefits Committee.

AGENDA ITEM 5 - PARTNERSHIP FOR CHANGE UPDATE

As an information item, Loren Suter, Senior Strategic Advisor, provided an update on the Hospital Value Initiative and the California Hospital Assessment and Reporting Taskforce (CHART).

The most recent activity with the Hospital Value Initiative has been finalizing the draft metrics for evaluating the efficiency of California hospitals. After receiving input from the hospital community, a Request for Proposal will be issued to have a third party administrator develop the metrics.

In regard to the CHART Project, the hospitals are in the process of collecting and submitting data. There were still 35 hospitals that are not participating in CHART and that have 75 or more beds. Mr. Suter stated that he contacted the chief executive officers of these hospitals requesting them to participate. As a result, 13 more hospitals have agreed to participate. The University of California, Davis, and the University of California, San Diego, have again been contacted and to date have not agreed to participate.

AGENDA ITEM 6 – LONG-TERM CARE PROGRAM: ADOPTION OF ANNUAL VALUATION

Richard Krolak, Chief, Office of Health Plan Administration, presented a brief overview of the Long-Term Care Program's 2005 annual valuation report and stated staff's recommendation that the Board accept the 2005 valuation report as submitted and direct staff to continue to work with the Long-Term Care Advisory Committee and the Program's consulting actuaries, United Health Actuarial Services, Inc., to develop mitigation strategies. Mr. Krolak stated that accepting the 2005 valuation report does not limit or preclude the Board from evaluating other alternatives or various alternatives including the assumptions contained in this report.

On **MOTION** by Priya Mathur, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to accept the Long-Term Care Program 2005 valuation report and continue the process of evaluating mitigation strategies.

AGENDA ITEM 7 – LONG-TERM CARE PROGRAM: SECOND READING – PROGRAM RECOMMENDATIONS

Richard Krolak, Chief, Office of Health Plan Administration, provided the Committee with a revised agenda item summarizing Long-Term Care Program issues that will be brought to the Committee over the next several months. The Long-Term Care Advisory Committee met on March 6, 2006 and concluded that it was appropriate to request Board approval of a 2006 application period and that the 2006 rates should be determined in a manner to build in an appropriate surplus margin to reflect moderately adverse conditions. The 2006 rates will be discussed at the next Advisory Committee meeting on April 4th, and brought to the Health Benefits Committee for consideration at the April 18th Health Benefits Committee meeting. The next steps of the Advisory Committee will be to address the adequacy of the 2005 rates and recommend appropriate adjustments, and to address required increases for the 2004 and prior rates.

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On **MOTION** by Marjorie Berte, **SECONDED** and **CARRIED**, the Committee recommended the Board approve a 2006 application period (July through September) and approve in concept that 2006 rates will include an appropriate surplus margin to reflect moderately adverse conditions.

Jim Zerio ABSTAINED.

Ann McWherter, Chair, Long-Term Care Advisory Committee, spoke on this item.

AGENDA ITEM 8 - MEDICARE PART D OPTIONS FOR 2007

As an information item, Sandra Felderstein, Chief, Office of Health Policy and Program Support, presented 2007 Medicare Part D options for CalPERS. CalPERS could apply for the Retiree Drug Subsidy for members not enrolled in Kaiser Senior Advantage and continue to provide the Kaiser Medicare Advantage Prescription Drug (MA-PD) plan for Kaiser Senior Advantage members. CalPERS could alternately provide a health plan based Prescription Drug Plan for members not enrolled in Kaiser Senior Advantage and continue to provide the Kaiser MA-PD plan for Kaiser Senior Advantage members. During the 2007 rate renewal process, the health plans will provide pricing for both options. Staff and the Office of Governmental Affairs are developing proposed legislation to allow the Board maximum flexibility to implement either option. Staff will continue its analysis and recommend 2007 Part D options for Board consideration at an upcoming Health Benefits Committee meeting.

The following people spoke on this item:

Barbara LaPlante, President, California State Employees' Association, Retired Division Mike Richard, California State Employees' Association, Retired Division Ray Snodgrass, California Department of Forestry, Firefighters

AGENDA ITEM 9 – STAFF RECOMMENDATION OF AWARD OF REQUEST FOR PROPOSAL NO. 2005-3724, HEALTH ACTUARIAL AND BENEFITS CONSULTANT SERVICES POOL

Richard Krolak, Chief, Office of Health Plan Administration, provided the Committee with a revised agenda item regarding the Request for Proposal (RFP) evaluation process. Staff received four responses to the RFP and has completed evaluations and interviews. The total scoring available to staff though both the technical and interview process was 450 points. The four firms ranged within a 13 point margin. Since staff felt all four firms are capable of performing the duties called for in the RFP, staff recommends inclusion of the four responding firms in the Health Actuarial and Benefits Consultant Services Pool, subject to successful negotiations, and that the Health Benefits Committee waive interviews with the selected finalists. The four firms are:

- Buck Consultants
- Mercer Human Resource Consulting
- Watson Wyatt Worldwide
- Milliman, Inc.

Terri Westbrook, Assistant Executive Officer, Health Benefits Branch, acknowledged the branch-wide effort to staff the technical scoring and interviewing panels, with special thanks to Don Martinez and David Bakula.

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On **MOTION** by Priya Mathur, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to 1) waive the Health Benefits Committee interviews with the selected finalists; and, 2) proceed with inclusion of all four responding firms under the Request for Proposal No. 2005-3724, Health Actuarial and Benefits Consultant Services Pool, subject to successful negotiations.

AGENDA ITEM 10 – ASSISTANT EXECUTIVE OFFICER REPORT

Terri Westbrook, Assistant Executive Officer, Health Benefits Branch, informed the Committee about the Vision Service Plan (VSP) Eye Health Management Program. VSP and the State of California have partnered with Blue Shield and are engaged in discussion with our other contracting health plans, to implement a program that will share data between the VSP provider and the members' primary care physician. The annual eye exam can provide early detection of diabetes, glaucoma, macular degeneration, high cholesterol and hypertension. VSP's new Eye Health Management Program could potentially reduce and prevent vision loss as well as avoid more costly treatment. By written request of Michael Navarro, Director, Department of Personnel Administration, a presentation of this program will be included on the April 18, 2006 Health Benefits Committee agenda.

AGENDA ITEM 11 – PROPOSED AGENDA FOR APRIL 18, 2006, HEALTH BENEFITS COMMITTEE MEETING

The following changes were made to the proposed April 18, 2006, agenda:

- Long-Term Care Program 2006 Rates (Action Item)
- Long-Term Care Program 2005 and Earlier Rates (Information Item) Removed
- Long-Term Care Program Recommendations and Application Period

AGENDA ITEM 12 - PUBLIC COMMENT

The Committee heard comment from Deena Matagulay, Department of Transportation, regarding the lifetime aggregate maximum payout amount of \$2 million (per individual) for the PERS Choice self-funded health plan. Ms. Matagulay requested the Health Benefits Committee and CalPERS staff to consider raising the maximum cap to \$5 million (per individual) for the PERS Choice self-funded plan.

Mike Richard, California State Employees' Association, Retired Division, spoke on this item.

The next meeting of the Committee is scheduled for April 18, 2006, in Sacramento, California, following adjournment of the Benefits and Program Administration Committee.

FRED BUENROSTRO	
Chief Executive Officer	